

CASE 2319: Application of TENNECO
for non-standard oil proration
unit & for permission to commingle

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2319

plication, Transcript,
all Exhibits, Etc.

GOVERNOR
EDWIN L. MECHEM
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 871
SANTA FE

July 13, 1961

Mr. William M. Armstrong
Division Attorney
Tenneco Corporation
1500 Wilco Building
Midland, Texas

Re: CASE NO. 2319

ORDER NO. R-2029

APPLICANT:

Tenneco Corporation

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ir/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC x

OTHER Mr. Howard C. Bratton

**BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:**

**CASE No. 2319
Order No. R-2029**

**APPLICATION OF TENNECO OIL
COMPANY FOR A NON-STANDARD
OIL PRODUCTION UNIT AND FOR
PERMISSION TO COMINGLE THE
PRODUCTION FROM SEPARATE
LEASES, SAN JUAN COUNTY,
NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on June 28, 1961, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 13th day of July, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Tenneco Oil Company, seeks the establishment of a 90.5-acre non-standard oil production unit in the Cha Cha-Gallup Oil Pool, consisting of Lots 3 and 4 and the E/2 SW/4 of Section 31, Township 29 North, Range 13 West, NMPM, San Juan County, New Mexico.
- (3) That the applicant further seeks permission to commingle the Gallup oil production from the above-described unit with the Gallup oil production from another basic lease comprising the E/2 W/2 and the E/2 of said Section 31.
- (4) That the production from each lease should be separately metered prior to commingling.
- (5) That inasmuch as an industry committee has been appointed to study all phases of commingling and to recommend

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CASE No. 2319
Order No. R-2029

minimum standards to prevent abuses thereof, it may be that this installation, at a later date, will have to be altered to conform to such standards as the Commission may prescribe.

(6) That approval of the subject application will neither cause waste nor impair correlative rights.

IT IS THEREFORE ORDERED:

(1) That a 90.5-acre non-standard oil proration unit in the Cha Cha-Gallup Oil Pool is hereby established, consisting of Lots 3 and 4 and the E/2 SW/4 of Section 31, Township 29 North, Range 13 West, NMPN, San Juan County, New Mexico.

(2) That the allowable to be assigned the subject proration unit shall bear the same ratio to a standard allowable in the Cha Cha-Gallup Oil Pool as 90.5 bears to 80.

(3) That the applicant, Tenneco Oil Company, is hereby authorized to commingle the Gallup oil production from the subject unit with the Gallup oil production from another basic lease comprising the E/2 W/2 and the E/2 of said Section 31.

PROVIDED HOWEVER, That the production from each lease shall be separately metered prior to commingling.

PROVIDED FURTHER, That all production meters shall be equipped with non-reset totalizers.

PROVIDED FURTHER, That it may be that this installation, at a later date, will have to be altered to conform to such standards as the Commission may prescribe.

(4) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


EDWIN L. MECHEM, Chairman


E. S. WALKER, Member


A. L. PORTER, JR., Member & Secretary

esr/

J. H. HERVEY 1874-1953
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD

LAW OFFICES
HERVEY, DOW & HINKLE

HINKLE BUILDING
ROSWELL, NEW MEXICO

May 26, 1961

2219
TELEPHONE MAIN 2-6510
POST OFFICE BOX 10

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Gentlemen:

Please consider this our entry of appearance with Mr. William N. Armstrong an attorney of Texas in connection with the application of Tenneco for an Order authorizing the pooling of certain lands in the Cha Cha Gallup Oil Pool to form a non-standard proration unit and to commingle certain production.

Very truly yours,

HERVEY, DOW & HINKLE


Howard C. Bratton

HCB:lm

cc: Mr. William N. Armstrong
Division Attorney
Tenneco Oil Company
P. O. Box 1031
Midland, Texas

*Working
Mailed
6-15-61
R*

No. 18-61

DOCKET: EXAMINER HEARING - WEDNESDAY, JUNE 28, 1961

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner or Daniel S. Nutter, as alternate Examiner:

CONTINUED CASE

CASE 2298: Application of Chambers & Kennedy for a gas-oil dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Monument State Well No. 1, located in Unit J, Section 34, Township 19 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of gas from the Eumont Gas Pool and the production of oil from the Eunice-Monument Pool through the 5½-inch by 2½-inch casing-tubing annulus and through 2½-inch tubing respectively.

NEW CASES

CASE 2309: Application of Texaco Inc. for an oil-oil-oil triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its C. P. Falby (a) Well No. 4, located in Unit E, Section 8, Township 22 South, Range 37 East, Lea County, New Mexico, as a triple completion (conventional) in the Eumont Gas Pool, the Fenrose-Skelly Pool, and the Drinkard Pool, the production of oil from each pool to be through parallel strings of 2 3/8-inch tubing.

CASE 2310: Application of Standard Oil Company of Texas for permission to transfer allowables, Lea County, New Mexico. Applicant, in the above-styled cause, during vertical communication tests, seeks permission to transfer allowables in the Vacuum Abo Pool for a 120-day period from its Vac-Edge Unit Well No. 4, located in the NW/4 NE/4 of Section 4, Township 18 South, Range 35 East, Lea County, New Mexico, to its Vac-Edge Unit Wells Nos. 3 and 6, located in the NE/4 NW/4 of said Section 4 and in the NE/4 NE/4 of said Section 4, respectively.

CASE 2311: Application of Continental Oil Company for an oil-oil dual completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to complete its Britt B-15 Well No. 10, located in Unit F, Section 15, Township 20 South, Range 37 East, Lea County, New Mexico, as a dual completion (conventional) in an undesignated Blinebry Pool and in the Monument-Tubb Pool, the production of oil from each pool to be through parallel strings of 2-inch tubing.

CASE 2312:

Application of Continental Oil Company for an exception to Rule 309 (a), Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 309 (a) to permit the commingling, after separate measurement, of the Maljamar-Paddock Pool production from the William Mitchell "A" lease, consisting of the N/2 of Sections 19 and 20, and from the William Mitchell "B" lease, consisting of the W/2 and the W/2 E/2 of Section 17, the E/2 and the E/2 W/2 of Section 18, and the S/2 of Sections 19 and 20, all in Township 17 South, Range 32 East, Lea County, New Mexico.

CASE 2313:

Application of W. W. Holmes for an order fixing the spacing of wells, Sandoval County, New Mexico. Applicant, in the above-styled cause, seeks an order fixing the spacing of wells producing from the Mesaverde formation in the N/2 of Section 11, Township 18 North, Range 3 West, Sandoval County, New Mexico. Applicant recommends the establishment of two and one-half acre well spacing with no increase in the allowable to be assigned a basic 40-acre oil proration unit.

CASE 2314:

Application of Shell Oil Company for an exception to the gas-oil ratio provisions of Rule 26 (A), Order No. R-1670, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to the gas-oil ratio provisions of Rule 26 (A), Order No. R-1670, to permit its Shell State Well No. 1-A, located 380 feet from the North line and 380 feet from the West line of Section 36, Township 24 South, Range 36 East, Lea County, New Mexico, to remain classified as a gas well in the Jalmat Gas Pool, with a gas-oil ratio below 100,000: 1.

CASE 2315:

Application of Pan American Petroleum Corporation for a non-standard oil proration unit and for an unorthodox oil well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of an 86.62-acre non-standard oil proration unit in the Totah-Gallup Oil Pool consisting of Lots 2, 3 and 4 of Section 12, Township 28 North, Range 13 West, San Juan County, New Mexico, to be dedicated to the Gallegos Canyon Unit Well No. 100 at an unorthodox location 476 feet from the North line and 1980 feet from the West line of said Section 12.

CASE 2316:

Application of Pan American Petroleum Corporation for permission to dispose of salt water into the Wolfcamp formation, Lea County, New Mexico. Applicant, in the above-styled

CASE 2316:
(Cont.)

cause, seeks permission to dispose of produced salt water into the Wolfcamp formation through its Lois Wingerd Well No. 8 located 660 feet from the South and East lines of Section 24, Township 12 South, Range 37 East, Gladiola-Wolfcamp Pool, Lea County, New Mexico.

CASE 2317:

Application of Pan American Petroleum Corporation for a pressure maintenance project in the Horseshoe-Gallup Oil Pool, San Juan County, New Mexico, and for special rules governing said project. Applicant, in the above-styled cause, seeks permission to institute a pressure maintenance project in the Horseshoe-Gallup Oil Pool by the injection of water into certain Northeast Hogback Unit wells in Sections 10, 11, 13, 14, 15 and 24, all in Township 30 North, Range 16 West, San Juan County, New Mexico. Applicant further seeks special rules governing the operation of said project.

CASE 2318:

Application of El Paso Natural Gas Products Company for an order force-pooling a non-standard oil proration unit in the Cha Cha-Gallup Oil Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in the Cha Cha-Gallup Oil Pool lying North of the mid-channel of the San Juan River in the SE/4 of Section 17, Township 29 North, Range 14 West, San Juan County, New Mexico. Interested parties include Humble Oil & Refining Company, Pan American Petroleum Corporation, and A. L. Duff.

CASE 2319:

Application of Tenneco Oil Company for a non-standard oil proration unit and for permission to commingle the production from separate leases, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a 90.5-acre non-standard oil proration unit in the Cha Cha-Gallup Oil Pool consisting of lots 3 and 4 and the E/2 SW/4 of Section 31, Township 29 North, Range 13 West, San Juan County, New Mexico. Applicant further seeks permission to commingle the Gallup oil production from the subject unit with other Gallup oil production from the E/2 W/2 and from the E/2 of said Section 31 after separately metering the production from each area.

CASE 2320:

Application of R. C. Banks for approval of the High Point Unit Agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the High Point Unit

CASE 2320:
(Cont.)

Agreement, which unit embraces 1920 acres of State land in Township 11 South, Ranges 34 and 35 East, Lea County, New Mexico.

The following cases will not be heard before 1:30 P.M.

CASE 2321:

Application of Benson-Montin-Greer Drilling Corporation for an unorthodox oil well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location in the Cha Cha-Gallup Oil Pool for its Jones Well No. 7, located 1200 feet from the North line and 900 feet from the West line of Section 15, Township 28 North, Range 13 West, San Juan County, New Mexico.

CASE 2322:

Application of Southwest Production Company for an unorthodox oil well location, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox oil well location in the Cha Cha-Gallup Oil Pool for a well to be drilled 2260 feet from the North line and 330 feet from the West line of Section 16, Township 29 North, Range 14 West, San Juan County, New Mexico.

CASE 2323:

Application of Southwest Production Company for two non-standard oil proration units and for an unorthodox oil well location in the Cha Cha-Gallup Oil Pool, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of two non-standard oil proration units in the Cha Cha-Gallup Oil Pool, San Juan County, New Mexico, one unit consisting of the West 56.625 acres and one unit consisting of the East 56.625 acres of that portion of the SE/4 of Section 16, Township 29 North, Range 14 West, lying North of the mid-channel of the San Juan River; the West proration unit is to be dedicated to a well to be drilled at an unorthodox location 1912 feet from the South line and 2310 feet from the East line of said Section 16.

CASE 2324:

Application of Aztec Oil & Gas Company for an order force-pooling a standard 320-acre gas proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order force-pooling all mineral interests in a standard 320-acre gas proration unit in the Basin-Dakota Gas Pool, consisting of the N/2 of Section 2, Township 29 North, Range 12 West, San Juan County, New Mexico.

CASE 2325:

Application of Aztec Oil & Gas Company for a non-standard oil proration unit in the Totah-Gallup Oil Pool, San Juan County, New Mexico. Applicant, in the above-styled cause,

CASE 2325:
(Cont.)

seeks the establishment of an 86.13-acre non-standard oil proration unit in the Totah-Gallup Oil Pool, consisting of Lot 1, the NE/4 NW/4 and the NW/4 NE/4 of Section 30, Township 29 North, Range 13 West, San Juan County, New Mexico, to be dedicated to the Hagood Well No. 28-G located 765 feet from the North line and 3175 feet from the East line of said Section 30.

CASE 2326:

Application of David Fasken for permission to drill directionally, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks permission to sidetrack and recomplete the David Fasken-King-Davis Well No. 2, located 1980 feet from the North line and 1980 feet from the West line of Section 27, Township 8 South, Range 37 East, Roosevelt County, New Mexico, in such a manner as to locate the bottom of the hole in the Bough "C" formation of the Bluitt-Pennsylvanian Pool 300 feet West of said surface location.

CASE 2327:

Application of the Oil Conservation Commission on its own motion to consider the establishment of non-standard gas proration units for the Basin-Dakota Pool in Townships 29, 30, 31 and 32 North, Ranges 4, 5, 6, 7, 8, 9, 11, 12, 13 West, San Juan and Rio Arriba Counties, New Mexico. Said non-standard units are necessitated by irregular sections resulting from survey corrections in the United States Public Lands Survey.



TENNECO OIL COMPANY • P. O. BOX 1031 • 1800 WILCO BUILDING • MIDLAND, TEXAS

May 23, 1961

non sta. land
unit
+ commingling

Mr. A. L. Porter, Jr.
Secretary
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Porter:

We hand you herewith three copies of Application of Tenneco Corporation for an Order authorizing the formation of an un-orthodox proration unit in the Cha Cha-Gallup Field in San Juan County, New Mexico, together with an order granting an increased allowable to such unit and granting applicant the right to commingle production from such unit with other production obtained in the area.

Please set this down for the first available examiner hearing. We propose to be properly associated with a New Mexico firm of attorneys at the time of the hearing.

We appreciate your consideration in this matter.

Yours very truly,

TENNECO OIL COMPANY

William N. Armstrong

William N. Armstrong
Division Attorney

WNA:jo

Enc. 3

cc: Mr. L. B. Plumb
Big Chief Drilling Company
Elliott, Inc.

Case 2319.

Heard 6-28-61

Rec. 7-5-61

1. Grant Tenneco's request ~~to~~ for an NW 1/4 for a well which the applicant proposes to drill in the ~~the~~ NE 1/4 SW 1/4 Sec. 31, 29N-13W. Unit to consist of Lots 30 & 1 the E 1/2 SW 1/4 905 Acres. Unit to be known as the Callow "B" unit.
2. Also grant approval of their request to commingle the production from the above units with the E 1/2, and the E 1/2 NW 1/2 of said Section 31, known as the Callow "B" lease, after the production from each lease has been metered. Each metering device shall have non-reset counters.
3. Other commingling requirements as used in current commingling orders.

Wm. A. [Signature]

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 28, 1961

EXAMINER HEARING

Case 2319

TRANSCRIPT OF HEARING

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
June 28, 1961

EXAMINER HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6691

ALBUQUERQUE, NEW MEXICO

IN THE MATTER OF:

Application of Tenneco Oil Company for a
non-standard oil proration unit and for
permission to commingle the production
from separate leases, San Juan County,
New Mexico. Applicant, in the above-
styled cause, seeks the establishment of
a 90.5-acre non-standard oil proration
unit in the Cha Cha-Gallup Oil Pool con-
sisting of lots 3 and 4 and the E/2 SW/4
of Section 31, Township 29 North, Range
13 West, San Juan County, New Mexico.
Applicant further seeks permission to
commingle the Gallup oil production from
the subject unit with other Gallup oil
production from the E/2 W/2 and from the
E/2 of said Section 31 after separately
metering the production from each area.

Case
2319

BEFORE:

Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: The Hearing will come to order, please.

The next case will be Case Number 2319.

MR. MORRIS: Application for Tenneco Oil Company for a
non-standard oil proration unit and for permission to commingle
the production from separate leases, San Juan County, New Mexico.

MR. ARMSTRONG: I am William N. Armstrong, attorney for



DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CH 3-6697

ALBUQUERQUE, NEW MEXICO

Tenneco Oil Company in Midland, Texas. I am in association in this case with the New Mexico law firm of Hervey, Dow and Hinkle, and I believe the Commission is in receipt of a letter from Mr. Howard Braton entering an appearance for us.

MR. UTZ: Yes.

MR. ARMSTRONG: I have one witness, Mr. Lacey.

(Witness sworn.)

JOHN J. LACEY

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. ARMSTRONG:

Q Would you state your name and place of residence, please.

A John J. Lacey, Durango, Colorado.

Q By whom are you employed and in what capacity?

A I'm employed by Tenneco Oil Company in the capacity of District Engineer.

Q What is Tenneco Company's capacity with relation to Tenneco Corporation?

A They are acting as management for Tenneco Oil Corporation.

Q In other words, they operate the property involved known as Tenneco Corporation who owns the property?

A That is correct.

Q Have you previously qualified and testified before this



Commission as a Petroleum Engineer?

A Yes, I have.

Q In your opinion, are your qualifications, then, a matter of public record?

A They are.

MR. ARMSTRONG: Does the Examiner accept the witness' qualifications?

MR. UTZ: Yes, he has been previously qualified.

Q (By Mr. Armstrong) Are you familiar with the matters sought in this case, Case 2319?

A Yes, I am.

Q Would you state briefly what they are?

A Tenneco Oil Company is requesting a non-standard proration unit in the Cha Cha-Gallup field of 95 acres and permission to commingle the production from the formation of a non-standard proration unit with existing wells on their leases in Section 31.

Q The proposed non-standard unit consists of what?

A The proposed non-standard unit consists of the east half of the southwest quarter of Section 31, 29 North, 13 West and lots 3 and 4 in that Section.

Q Would you identify and explain the paper that has been marked Applicant's Exhibit 1?

A Exhibit 1 shows the acreage involved in the proposed non-standard proration unit, the ownership interest and the location of the existing tank battery facilities on Tenneco's

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ALBUQUERQUE, NEW MEXICO



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PHONE CM 3-6691

ALBUQUERQUE, NEW MEXICO

lease in Section 31. I might elaborate a little more. Section 31 of 29 North 13 West is a non-standard governmental Section. It consists -- the east half of this Section is a normal three hundred twenty acres. The east half of the west half of this Section is a normal hundred sixty acres, and the west half of the west half of this Section consists of a strip of twenty acres which comprises the west half of the west half.

Q That is for a total of five hundred and two acres?

A That is correct.

Q Would you state the leaseholding owners or working interest owners within the proposed unit boundary?

A That acreage that is colored in yellow in Section 31 is generally owned by Tenneco Corporation of 87-1/2% and Big Chief Drilling Company has an interest of 1/8, 12-1/2%. The 10.5 acres in the proposed non-standard proration unit is owned by Elliott, Inc.

Q Have various working interest owners in the proposed unit agreed to this proposed unitization?

A Yes, they have. The operating communitization agreement is currently being signed between the various working interest owners.

Q The proposed well location is reflected on Exhibit 1 is an unorthodox location?

A Without using a rule to actually measure the proposed well, I can't tell, but we propose to drill the well as a proposed



orthodox location in the southwest quarter of Section 31 in the Cha Cha-Gallup field.

Q Are the wells producing as shown on your Exhibit 1, wells located in Section 36 adjoining the subject Section on the west, the west half of 31, we show to be owned by Humble. Are these producing from the Cha Cha-Gallup Pool?

A Yes, they are.

Q In your opinion, will the proposed well effectively and efficiently drain the entire ^{40.5}(19.5) acres of your proposed unit?

A Yes, it will.

Q Do you have any other comments relative to this Exhibit 1?

A No, none other than that the proposed wells in Section 31 are completed in the Cha Cha-Gallup Pool and producing in the Callow B 1 and B 2.

Q These are the wells with which you propose to commingle production in the unit?

A That is correct.

Q Would you identify, then, and explain Applicant's Exhibit 2?

A Exhibit 2 is a schematic diagram for proposed metering facilities to commingle the oil production from the proposed Callow B oil unit with the presently producing well from the Callow B lease.

Q The Callow B oil unit is the unit being requested?

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A A non-standard proration unit that is being requested.

The schematic diagram shows a Baker A oil gas separator with a positive displacement type Rockwell piston meter to measure the crude oil which will then go to the existing tank battery facilities located in the southwest corner of Tenneco's lease.

Q Will the proposed measurement accurately determine the production from the proposed unit?

A Yes, sir; I believe it will.

Q I believe also that your application has requested an increased allowable to be given to the proposed well?

A Yes. In addition to our requesting a non-standard proration unit, we are requesting an allowable increase of 90.5 eightieths of top allowable in the field.

Q In your opinion, will the granting of this application for the non-standard proration unit and increased allowable accordingly and commingling that production from this proposed unit with your Callow B 1 and Callow B 2 wells in Section 31 be in the interests of conservation and protection of correlative rights of the various owners involved?

A Yes, sir; I believe it will.

Q Do you have any other comments with relation to Exhibit 2?

A No, I have not.

Q Were Exhibits 1 and 2 prepared by you or under your supervision?



A Yes, they were.

MR. ARMSTRONG: We will at this time offer Applicant's Exhibits 1 and 2 into evidence.

MR. UTZ: Without objection, Exhibits 1 and 2 will be accepted into evidence.

Q (By Mr. Armstrong) Do you have any other comments?

A No.

Q These metering facilities will be between the separators for the proposed well and the tank batteries in which the production will be commingled, is that correct?

A That is correct.

MR. ARMSTRONG: That concludes our direct testimony.

MR. UTZ: Mr. Lacey, was it your proposal that you are going to meter each one of these leases?

A No. Our intent was to meter the production from the Callow B, the Callow oil B unit and then attribute production to our existing Callow B wells by the difference of tankage.

MR. MORRIS: You are using the subtraction method of arriving at how much to attribute the wells?

A To the existing wells from the Callow B lease, right.

MR. UTZ: That would be your well, B 1 and B 2?

A Yes.

MR. UTZ: This cross exed area that you have on Exhibit Number 1, what do you call it, the Callow B oil unit No. 1?

A The cross exed area outlined is the non-standard pro-



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PHONE CN 3-6591

ALBUQUERQUE, NEW MEXICO

ration unit and formation of the lease which would be identical as the Callow B oil unit and the circled well is the proposed location.

MR. UTZ: The balance of Section 31 is known just as the Callow B lease?

A That is correct.

MR. MORRIS: The balance of 31, not including the lots?

A The balance of the acreage is colored in yellow.

MR. UTZ: Are you going to meter the oil from the Callow B unit?

A Yes, that is correct.

MR. UTZ: Using the subtraction method to determine the production of the well on the Callow B?

A Yes.

MR. UTZ: The Rockwell meter register, is that a non-reset type that you propose?

THE WITNESS: I believe that meter can be supplied with either type. Normally I would assume it would be a non-reset register.

MR. UTZ: Are there any other questions of the witness?

MR. MORRIS: If you measure the production from the Callow B, you're going to be attributing any shrinkage that might occur to the well on the Callow B oil unit, would you not?

A Yes, that is true. Any shrinkage on the Callow B oil unit that burden would be carried by the Callow B wells. However,



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PHONE CH 3-4691

ALBUQUERQUE, NEW MEXICO

since we have eighth ninth interest in the proposed Callow B oil unit, and with our Big Chief, 100% working interest operator in the Callow B lease, the net shrinkage attributable to 10.5 acres we feel will be insignificant when compared to the possibility that if we had to set up separate tankage facilities for the Callow B oil unit, we would probably experience a great deal of shrinkage by having two tank facilities instead of one.

MR. MORRIS: Would Tenneco be willing to meter production from the Callow B oil unit before it was commingled in common tank batteries with the production from the Callow B unit that's already been metered? In other words, meter separate production from each lease?

THE WITNESS: Yes, we would be willing to place a meter on the production from the Callow B lease and the Callow B oil unit and allocate shrinkage proportionately.

MR. MORRIS: Mr. Lacey, I don't know whether you are aware of it or not, but an industry committee has been appointed by the Commission to study all phases of commingling and it's anticipated that the Commission may adopt certain standards as a result of their report, and I think you should be advised at this Hearing in making this application that any authorization granted will be subject to the standards that may later be adopted by this committee, and the permission granted by any order must be conditioned upon your compliance at a later date with the standards.



THE WITNESS: I believe Tenneco would be willing to accept an order to that effect.

MR. UTZ: Are there any other questions?

The witness may be excused.

(Witness excused.)

MR. UTZ: Are there any other statements in this case?

MR. ARMSTRONG: I would like to make a brief statement about the shrinkage. We have given some consideration to that problem and did feel the benefit or reduction in shrinkage would be accomplished by using the tank battery and would more than offset the shrinkage attributable to the benefit of the production from the Callow B unit which would occur under the proposed system.

MR. UTZ: Are there any other statements?

The case will be taken under advisement.

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CM 3-6691

ALBUQUERQUE, NEW MEXICO

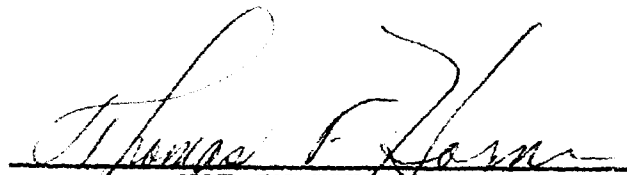


C E R T I F I C A T E

STATE OF NEW MEXICO)
) XX
 COUNTY OF BERNALILLO)

I, THOMAS F. HORNE, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in Stenotype and reduced to typewritten transcript by me and/or under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.


WITNESS my Hand and Seal, this, the 5th day of July, 1961, in the City of Albuquerque, County of Bernalillo, State of New Mexico.


 NOTARY PUBLIC

My commission expires:

May 4, 1965

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2312 heard by me on June 28, 1961.


 Examiner
 New Mexico Oil Conservation Commission

DEARNLEY-MEIER REPORTING SERVICE, Inc.

PHONE CM 3-6591

ALBUQUERQUE, NEW MEXICO



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF
TENNECO CORPORATION FOR AN ORDER
AUTHORIZING THE POOLING OF LOTS 3 AND
4 AND THE E/2 OF THE SW/4 OF SECTION
31, T-29-N, R-13-W, CONTAINING 90.5
ACRES OF LAND IN THE CHA CHA-GALLUP
POOL, SAN JUAN COUNTY, NEW MEXICO,
INTO A NON-STANDARD PRORATION UNIT
AND THE GRANTING OF AN INCREASED
ALLOWABLE FOR SUCH PRORATION UNIT,
TOGETHER WITH AN ORDER GRANTING
APPLICANT THE RIGHT TO COMMINGLE
PRODUCTION FROM SUCH UNIT WITH PRO-
DUCTION FROM THE E/2 OF THE W/2 AND
THE E/2 OF SAID SECTION 31

A P P L I C A T I O N

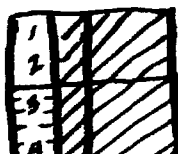
TO: THE HONORABLE OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

Comes now the applicant, Tenneco Corporation, acting by its Managing Agent, Tenneco Oil Company, and makes application for an order from the Commission approving the combining of the following land in the Cha Cha-Gallup Pool in San Juan County, New Mexico into an unorthodox unit for the purpose of protecting correlative rights by obtaining an increased allowable from a well which applicant proposes to drill at a location in the E/2 of the SW/4 of Section 31, to-wit:

Lots 3 and 4 and the E/2 of the SW/4 of Section 31,
Township 29 North, Range 13 West, containing 90.5
acres of land;

and applicant further seeks an order from the Commission allowing applicant to commingle Gallup production secured from the above-described land with other Gallup production secured from existing wells situated on the E/2 of said Section 31; and for its grounds for issuance of said orders, applicant states the following:

1. That applicant and Big Chief Drilling Company are the owners of United States Oil and Gas Lease bearing Serial No. Santa Fe-078931-B, insofar as said lease covers and pertains to the E/2 of the W/2 and the E/2 of Section 31, Township 29 North, Range 13 West, San Juan County, New Mexico. Tenneco Corporation owns 87.5% interest in said lease and is the Operator of same under a valid written agreement and Big Chief Drilling Company owns 12.5% interest in said lease. Elliott, Inc. is the owner of United States Oil and Gas Lease bearing Serial No. NM-06093, insofar as said lease covers and pertains to Lots 3 and 4 of the afore-said Section 31, which said lots comprise a total of 10.5 acres of land.



320
160
480
20

2. The address of applicant herein, Tenneco Corporation, is 1800 Wilco Building, Midland, Texas. The address of Big Chief Drilling Company is P. O. Box 8837, Oklahoma City, Oklahoma and the address of Elliott, Inc. is P. O. Box 1355, Roswell, New Mexico.

3. That Tenneco Corporation, Big Chief Drilling Company and Elliott, Inc. propose to pool Lots 3 and 4 and the E/2 of the SW/4 of the aforesaid Section 31, comprising 90.5 acres of land, into one unit and to drill a well at a location on the E/2 of the SW/4 of said Section 31 to secure production from the Cha Cha-Gallup Pool in San Juan County, New Mexico.

4. That Tenneco Corporation, Big Chief Drilling Company and Elliott, Inc. have all agreed upon the form of instruments to be executed to effectuate the proposed unitization, together with agreements providing for the manner of sharing in production secured from the proposed well and the participation of such parties in the costs and expenses incurred in connection therewith.

5. That the aforesaid Section 31 is a non-standard section containing a total of 502 acres and that Lots 3 and 4 comprise a total of 10.5 acres and unless this application is granted and an increased allowable be given to the proposed unit, giving effect to the additional acreage to be included therein, Elliott, Inc. will not be able to recover its fair share of the oil in the reservoir without drilling on acreage of insufficient size to justify the expense involved, thereby committing economic waste.

6. That Tenneco Corporation proposes to commingle Gallup production from the proposed unit into common storage with other Gallup production secured from the E/2 and the E/2 of the W/2 of the aforesaid Section 31, measuring same separately by means of a positive displacement meter.

7. That unless applicant is granted the right to commingle production from the proposed unit with other production secured from the Cha Cha-Gallup Pool in the aforesaid Section 31, measuring same separately by means of a positive displacement meter, applicant will be compelled to store such production separately at additional unnecessary expense, thereby committing economic waste;

WHEREFORE, applicant prays that this application be set for hearing, that notice be given as required by law and that upon the evidence introduced at such hearing, the Commission issue an order approving the proposed unitization, granting an increased allowable for the proposed unit, increasing the standard

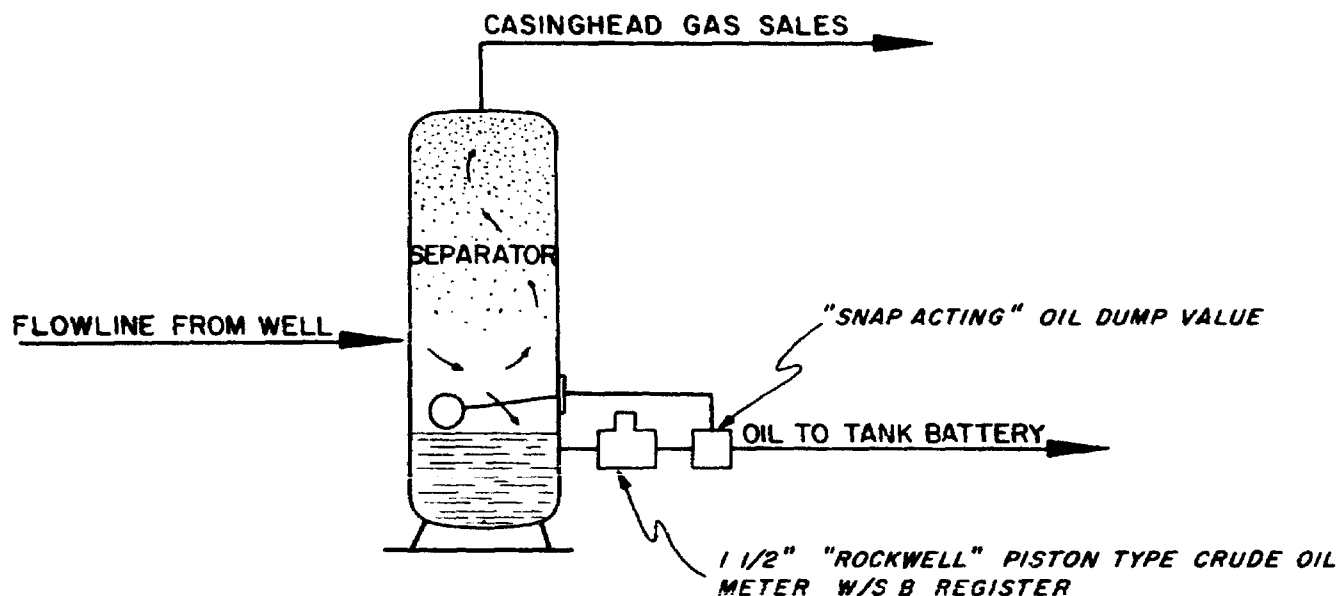
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field allowable for the proposed well by 10.5/80 and granting to applicant permission to commingle production from said well with other production secured from the Cha Cha-Gallup Pool in the E/2 and the E/2 of the W/2 of the aforesaid Section 31, but requiring the applicant to accurately measure same separately by means of a positive displacement meter.

TENNECO CORPORATION, acting by its
Managing Agent, TENNECO OIL COMPANY

By

William N. Armstrong
William N. Armstrong
Division Attorney
1800 Wilco Building
Midland, Texas



BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
AP EXHIBIT NO. 2
CASE NO. 2319

SCHEMATIC DIAGRAM
METERING FACILITIES FOR COMMINGLING OIL PRODUCTION OF
PROPOSED CALLOW "B" OIL UNIT WITH CALLOW "B" LEASE
SECTION 31, T.29N., R.13W., SAN JUAN CO., NEW MEXICO, CHA CHA GALLUP FIELD

JUNE 21, 1961